

**UNREGULATED UTILITY
POWER COST EQUALIZATION MEMORANDUM**

Date: August 5, 2021
Filing Due Date: May 30, 2021
Date Filed and Review Requested: May 28, 2021
Review Deadline: July 12, 2021¹
Extension Date: August 15, 2021²

File No.: PC91-0521

Name of Utility: Kotzebue Electric Assn., Inc. Cert. No. 17

☒ Annual Update ☐ COPA Update
☐ Fuel Price Change ☐ Non-Fuel Cost Change
☐ Rate Change ☐ KWh Sales Change

STAFF RECOMMENDS: Approval of updated **Permanent** PCE Amount (see attached memo)

PCE AMOUNT SUMMARY	Previously Approved	Staff Recommended
PCE AMOUNTS (In Cents/kWh)	July 1, 2021	
Residential	0.00¢	0.00¢
COMMUNITY FACILITIES		
Small Community	0.00¢	0.00¢
Large Power	0.00¢	0.00¢
Street Lights First 63 kWh	0.00¢	0.00¢

Signed: Brenda Cox Brenda Cox Utility Financial Analyst

Commission decision re. this recommendation:

	Date (if different from 8/5/21)	I Concur	I Do Not Concur	I Will Write A Dissenting Statement *
Pickett	_____	<u>RMP</u>	_____	_____
Kurber	_____	<u>KIL</u>	_____	_____
Scott	_____	<u>AGS</u>	_____	_____
Sullivan	_____	<u>DS</u>	_____	_____
Wilson	<u>8/10/21</u>	_____	<u>JWW</u>	_____

¹ Typically, there is no deadline for review of Power Cost Equalization (PCE) annual report. However, a utility may request the review of an annual report (3 AAC 52.640(c)(2)) and the request triggers a 45-day review period (3 AAC 52.650(a)).

² On July 12, 2021, KOTZEBUE agreed to extend the review deadline to August 15, 2021.

Special Instructions to Staff:

* If this column is initialed, Staff will contact the Commissioner for the statement. Otherwise the dissent will simply be noted at the close of the By Direction Letter or Order.

Memorandum

TO: Robert M. Pickett, Chairman
Keith Kurber II
Antony G. Scott
Danial A. Sullivan
Janis W. Wilson

DATE: August 5, 2021

FROM: Brenda Cox
Utility Financial Analyst

RE: Kotzebue Electric Assn., Inc.
PC91-0521

Recommendations

1. Updated Power Cost Equalization (PCE) amounts should be effective for billings rendered on or after August 6, 2021.
2. Approval should be: ☒ Permanent ☐ Interim
3. Standard reminder language for notice specifications, efficiency, rates, and fuel cost changes should be included in the By Direction Letter to the utility.

Background

On May 28, 2021, Kotzebue Electric Association, Inc. (KOTZEBUE) filed its 2020 annual PCE report (annual report) for the test year ending December 31, 2020 (FY20). KOTZEBUE requested its PCE annual report be reviewed and PCE amounts adjusted based on the eligible costs.³ KOTZEBUE filed a revised Trial Balance⁴ and several other supplements.⁵ Staff's contact for this filing was Mr. Paul Jones of Kemppe, Huffman and Ellis, P.C.⁶

Summary

KOTZEBUE's total costs per kilowatt-hour (kWh) have increased by 0.13 cents (¢) from 34.30¢/kWh to 34.43¢/kWh (FY20). KOTZEBUE's reported fuel efficiency decreased from 14.66/kWh (FY16) to 14.21/kWh (FY20) and its reported line loss decreased from 5.73% (FY16) to 4.65% (FY20). Staff's detailed analysis of this filing follows:

³ See letter filed with KOTZEBUE's PCE annual report on May 28, 2021.

⁴ See Supplement filed June 4, 2021.

⁵ See Supplements filed June 10, 2021, June 28, 2021, July 23, 2021, and July 29, 2021.

⁶ Kemppe, Huffman and Ellis, P.C. are attorneys for Kotzebue Electric Assn. Inc.

Analysis

Non-Fuel Costs

Total reported non-fuel costs increased by \$309,231 from \$4,195,005 (FY16) to \$4,504,235 (FY20). KOTZEBUE reported non-fuel costs using the format of the Uniform System of Accounts prescribed for borrowers of the Rural Utilities Service (RUS), USDA. Staff used the revised Trial Balance for the review.⁷ Staff reviewed KOTZEBUE's non-fuel costs by category noting the following (see Schedule BKC-1):

Generation Expense increased by \$380,066 from \$1,394,123 (FY16) to \$1,774,189 (FY20). KOTZEBUE removed \$2,194 from account 552.0300 - Maintenance & Operations/Ice Making Equipment related to the ice-making machine maintenance as it is not used and useful in the production of power. As noted in earlier annual reports the ice-making machine acts as a heat sink, reducing station service radiator loads and increases efficiency of the operations.⁸ As in prior annual report reviews Staff agrees with the removal of the \$2,194 from Generation Expense.

Staff noted an increase in account 553.0001 – General Windfarm Maint. of \$117,954 from \$33,472 (FY16) to \$151,427 (FY20) and asked KOTZEBUE to explain the increase and provide a detailed schedule of that account. KOTZEBUE provided a Detail General Ledger of account 553.0001,⁹ which shows a balance of \$38,138. KOTZEBUE further advised a journal entry was done to account for the inventory that was used for the Windfarm maintenance in the amount of \$113,289.¹⁰ In addition, Staff asked if KOTZEBUE anticipated this amount to be similar in the future and KOTZEBUE advised it anticipates the Windfarm maintenance expense to be approximately \$69,558, the average of the period from 2014 to 2019.¹¹ Staff recommends reclassifying \$81,869 (\$151,427 - \$69,558) to the Schedule of Depreciation and Amortization to be amortized over 5-years.¹²

Staff also noted an increase in account 553.0700 – Maint./Repair Engine #7 Labor of \$128,864 from \$1,431 (FY16) to \$130,295 (FY20) and asked KOTZEBUE to explain the increase. KOTZEBUE advised a major overhaul was done on this unit in 2020.¹³ Staff

⁷ See Supplement filed June 4, 2021.

⁸ See Staff Memos PC91-0513, PC91-0515, and PC91-0516.

⁹ See Supplement filed June 10, 2021.

¹⁰ See Supplements filed June 28, 2021 and July 23, 2021.

¹¹ See Supplement filed July 23, 2021.

¹² Staff usually recommends amortizing over 3-years because it is the Commissions goal to review PCE annual reports every three years. However, recently annual report reviews have been closer to every 5-years so Staff is recommending 5-years.

¹³ See Supplements filed June 10, 2021, June 28, 2021, and July 23, 2021.

recommends reclassifying the \$130,295 to the Schedule of Depreciation and Amortization to be amortized over 5-years.¹⁴

Therefore, Staff recommends **Adjustment 1 (Appendix 2)** to decrease Generation expense by \$212,164 (\$81,869 + \$130,295).

Distribution Expense increased by \$25,331 from \$300,273 (FY16) to \$325,604 (FY20). Staff reviewed the documentation filed and recommends no adjustments.

General & Administrative Expense (G&A) decreased by \$27,421 from \$1,353,904 (FY16) to \$1,326,483 (FY20). KOTZEBUE removed \$5,355 for community donations, \$6,750 for scholarships, \$1,272 for employee holiday gifts, \$420 for the lobbying portion of APA dues, \$414 for the lobbying portion for NRECA dues, and \$3,382 for food/beverage/gifts related to the annual meeting. As in prior annual report reviews, Staff does not consider these costs used or useful in the production of power and agrees with the removal of \$17,593 from G&A costs.¹⁵

Staff noted account 926.1000 - Corona Virus in the amount of \$2,534. Per Staff's request, KOTZEBUE advised this cost was for hand sanitizer, masks, security glass for the front counter, and advise from Kemppel, Huffman & Ellis.¹⁶ This is an extraordinary cost and Staff recommends reclassifying this to the Schedule of Depreciation and Amortization, to be amortized over five years.¹⁷ Staff recommends **Adjustment 2 (Appendix 2)** to decrease G&A expense by \$2,534.

Depreciation and Amortization Expense decreased by \$9,603 from \$947,519 (FY16) to \$937,917 (FY20). Staff reclassified the followings costs to the Schedule of Depreciation and Amortization; from Generation Expense the Windfarm Maint. in the amount of \$81,869 and the Overhaul of Until #7 in the amount of \$130,295. From G&A the Corona Virus costs of \$2,534. Staff calculated Depreciation and Amortization Expense to be \$42,940 (see Schedule BKC-2) and recommends **Adjustment 3 (Appendix 2)** to increase reported depreciation and amortization expense of \$937,917 by \$42,940 to equal \$980,857.

Interest Expense decreased by \$53,680 from \$291,655 (FY16) to \$237,974 (FY20). Staff verified amounts on the revised Trial Balance and recommends no adjustments.

¹⁴ Staff notes 5-years is the useful life referenced in the Depreciation & Amortization Lives/Rates Schedule Staff follows.

¹⁵ See Staff Memos PC91-0515 and PC91-0516.

¹⁶ See Supplement filed July 29, 2021.

¹⁷ Staff usually recommends amortizing over 3-years because it is the Commissions goal to review PCE annual reports every three years. However, recently annual report reviews have been closer to every 5-years so Staff is recommending 5-years.

Other Expense decreased by \$369 from \$9,666 (FY16) to \$9,297 (FY20). Staff verified amounts on the revised Trial Balance and recommends no adjustments.

Other Revenue increased by \$5,095 from \$102,135 (FY16) to \$107,230 (FY20). Staff noted on page 20 of 30 of KOTZEBUE's audited financial statements, Sales of excess heat in the amount of \$154,962 and asked KOTZEBUE why this amount was not reported as other revenue instead of \$107,230. KOTZEBUE advised the \$154,962 consists of heat sales and represents non-utility revenue. KOTZEBUE also provided a copy of the contract selling Maniilaq hospital interruptible power.¹⁸ KOTZEBUE advised the \$107,230 should not have been reported as other revenue. Instead, \$110,830 should have been reported, which is made up of water heat sales to the City of Kotzebue in the amount of \$91,796 and Pole rental of \$19,034.¹⁹ Staff recommends **Adjustment 4 (Appendix 2)** to increase Other Revenue by \$3,600 (\$110,830 - \$107,230).

COPA Filing

KOTZEBUE submitted its most recent Cost of Power Adjustment (COPA) on December 1, 2020. This reflected a fuel cost of \$2.0515/gallon and a surcharge of \$0.1248/kWh.²⁰ This data is included in the calculation of fuel costs in **Appendix 2** and rates in **Appendix 3**.

kWh Sold

When KOTZEBUE advised it was selling interruptible power to Maniilaq Hospital Staff asked KOTZEBUE to verify if the kWh's sold to the hospital were included in the total sales. KOTZEBUE advised the kWh sold to Maniilaq Hospital was not reported in the annual report and reported the total sold to the hospital was 809,500 kWhs. Staff recommends **Adjustment 5 (Appendix 2)** to increase kWh Sold by 809,500.

¹⁸ See Supplement filed June 28, 2021.

¹⁹ Staff contacted Mr. Paul Jones by phone on July 13, 2021.

²⁰ PC91-0517G approved in Letter Order L2000439, dated December 18, 2020.

KOTZEBUE ELECTRIC ASSOCIATION, INC.

POWER COST EQUALIZATION CALCULATION
FOR PERIOD ENDING DECEMBER 31, 2020
Annual Update

		PC91-0517H	PC91-0521	
		Prior Commission Approval	Per Utility Filing	Staff Recommended
A.	Eligible Costs/kWh (Appendix 2)	\$0.3430	\$0.3630	\$0.3443
B.	Eligible Cost/kWh (A) less base rate in effect	\$0.1427	\$0.1627	\$0.1440
C.	Lesser of (B) or 79.97 cents/kWh	\$0.1427	\$0.1627	\$0.1440
D.	Average Class Rates			
	NON COMMUNITY FACILITIES			
	Residential	\$0.1602	\$0.1602	\$0.1602
	COMMUNITY FACILITIES			
	Small Comm/Pub Blgs	\$0.1771	\$0.1771	\$0.1771
	LP-Lg.Power	\$0.2628	\$0.2628	\$0.2628
	Street Lights			
	First 63 kWh	\$0.2296	\$0.2296	\$0.2296
		Class Power Cost Equalization Per kWh Payable		
E.	Lesser of: (C) x 95% or (D)			
	NON COMMUNITY FACILITIES			
	Residential	\$0.1355	\$0.1545	\$0.1368
	COMMUNITY FACILITIES			
	Small Comm/Pub.Blgs.	\$0.1355	\$0.1545	\$0.1368
	LP-Lg.Power	\$0.1355	\$0.1545	\$0.1368
	Street Lights			
	First 63 kWh	\$0.1355	\$0.1545	\$0.1368
F.	Funding Level in Effect	0%*	0%	0%
	NON COMMUNITY FACILITIES			
	Residential	\$0.0000	\$0.0000	\$0.0000
	COMMUNITY FACILITIES			
	Small Comm/Pub.Blgs.	\$0.0000	\$0.0000	\$0.0000
	LP-Lg.Power	\$0.0000	\$0.0000	\$0.0000
	Street Lights First 63 kWh	\$0.0000	\$0.0000	\$0.0000

*Order U-21-019(3), dated July 22, 2021, determined the PCE amount to be 00.00 cents/kWh, for bills rendered on or after July 1, 2021.

PC91-0521
Appendix 1

KOTZEBUE ELECTRIC ASSOCIATION, INC.

SCHEDULE OF ELIGIBLE POWER COSTS, SALES, AND EFFICIENCY
FOR PERIOD ENDING DECEMBER 31, 2020
Annual Update

	PC91-0517H		PC91-0521	
	Prior Commission Approval	Per Utility Filing	Staff Adjustments	Staff Recommended
Non-Fuel Costs:				
A. Generation Expense	1,394,123	1,774,189	Adj. #1 (212,164)	1,562,025
B. Distribution Expense	300,273	325,604	0	325,604
C. General & Administrative	1,353,904	1,326,483	Adj. #2 (2,534)	1,323,949
D. Depreciation	947,519	937,917	Adj. #3 42,940	980,856
E. Interest Expense	291,655	237,974	0	237,974
F. Other (Describe)	9,666	9,297	0	9,297
G. Other Revenues: GCI Pole Rentals, Wind Power Sales	(102,135)	(107,230)	Adj. #4 (3,600)	(110,830)
H. Total Non-Fuel Costs	\$4,195,005	\$4,504,235	(\$175,359)	\$4,328,876
I. Total kWh Sold in Test Year January through December 2020	19,231,652	18,915,403	Adj. #5 809,500	19,724,903
J. Non-Fuel Cost/kWh (H / I)	\$0.2181	\$0.2381		\$0.2195
COPA Fuel Costs:				
K. Gallons Consumed	1,218,008	1,218,008		1,218,008
L. Price of Fuel:(per gal)	2.0515	2.0515		2.0515
M. Balancing Account	(167,106)	(167,106)		(167,106)
N. Total Cost of Fuel (K * L) + M	\$2,331,637	\$2,331,637	\$0	\$2,331,637
O. Total kWh Sold in Last 12 Months October 2019 through September 2020	18,678,916	18,678,916		18,678,916
P. Fuel Costs/kWh - COPA	\$0.1248	\$0.1248		\$0.1248
Q. Eligible Costs/kWh (Appendix 1)	\$0.3430	\$0.3630		\$0.3443
R. kWh Generated in test year	21,105,424	21,232,490		21,232,490
S. Wind Generation in test year	4,032,546	3,754,396		3,754,396
T. Diesel Generation in test year	17,072,878	17,478,094		17,478,094
U. kWh Station Service	664,219	521,214		521,214
V. Fuel Efficiency (T/1,229,776) ≥13.5 FY20 Test year Consumption 1,229,776	14.66	14.21		14.21
W. Line Loss ≤12%	5.73%	8.46%	-3.81%	4.65%

(kWh Generated - (kWh Sold + kWh Station Service))/kWh Generated

KOTZEBUE ELECTRIC ASSOCIATION, INC.

CALCULATION OF AVERAGE CLASS RATE PER kWh

Surcharge: 0.1248

Rate Schedule: Residential

Customer Charge (CC): \$15.00

(1) Block (by kWh)	(2) Rate (\$/kWh)	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(5) Total \$ (1x4)+CC	(6) Avg. (\$/kWh) (5)/(1)	(7) Avg. Rate (\$/kWh) - \$ 0.2003
0 to 500	0.2057	0.1248	0.3305	180.25	0.3605	0.1602
to						
to						
to						
Max 500			Total	180.2500	0.3605	0.1602

CALCULATION OF COMMUNITY FACILITY AVERAGE RATE PER kWh

Customer Charge (CC): \$25.00

Rate Schedule: Small Commercial / Public Buildings

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)+CC/500	(6) Average Rate(\$/kWh)- \$ 0.2003
0 to ∞	0.2026	0.1248	0.3774	0.1771

Rate Schedule: Large Power Service

Customer Charge (CC): \$75.00

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)+CC/500	(6) Average Rate(\$/kWh)- \$ 0.2003
0 to ∞	0.1883	0.1248	0.4631	0.2628

Rate Schedule: Street Lights

(1) Block	(2) Rate/ kWh	(3) Surcharge (\$/kWh)	(4) Total (\$/kWh) (2+3)	(6) Average Rate(\$/kWh)- \$ 0.2003
0 to 63	0.3051	0.1248	0.4299	0.2296
to				
to				
to				

KOTZEBUE ELECTRIC ASSOCIATION

TREND ANALYSIS (By Account)

		2016	2020				Staff Adjustments	Amended Expenses
		Amended Expenses	Utility Filing	Variance		\$	%	
Generation Expense	a/c							
Operation Supr & Engineering	546.0000	534	0	(534)	(100.00%)			0
Plant Engineering	546.0200	50,239	70,507.60	20,269	40.34%			70,508
Fuel Expenses/Handling	547.0100	60,874	70,628.95	9,755	16.02%			70,629
Legal Fees Bulk Fuel	547.1000	0	103.74	104	0.00%			104
Fuel Storage Tank Upgrade	547.2000	0	-	0	0.00%			0
Generation Expense	548.0000	437,563	659,414.00	221,851	50.70%			659,414
Plant Operator - Training	548.0300	0	5,490.18	5,490	0.00%			5,490
Pt Operators/Plant Operat	548.0301	0	-	0	0.00%			0
Misc Other Generation	549.0000	234,241	200,987.60	(33,253)	(14.20%)			200,988
Misc Plant Tools & Exp	549.0100	53,169	47,191.07	(5,978)	(11.24%)			47,191
Environmental Cost & Eqpt	549.0200	59,418	63,370.07	3,952	6.65%			63,370
Dec Asses. Air Emission	549.0210	0	-	0	100.00%			0
Plant Training	549.0300	1,035	2,384.10	1,349	130.35%			2,384
Safety Equipment Plant Pers	549.0500	295	6,944.58	6,650	2255.69%			6,945
Safety Consulting and Other Expense	549.0600	0	-	0	0.00%			0
High Energy Grant RUS	549.0700	0	-	0	0.00%			0
Air Permit Emissions Costs	549.0800	0	-	0	0.00%			0
Maint of Building- Labor	552.0000	31,645	15,994	(15,651)	(49.46%)			15,994
Maint of Building- Materials	552.0100	6,323	10,154	3,831	60.59%			10,154
Repair of House 211	552.0200	5,506	918	(4,587)	(83.32%)			918
Maintenance & Operations Ice	552.0300	0	0	0	100.00%			0
Maintenance & Operation/City Waste Heat	552.0301	0	0	0	0.00%			0
Fuel Tank Maintenance	552.1100	0	0	0	100.00%			0
Lube Oil Tank Expense	552.1200	3,841	0	(3,841)	(100.00%)			0
Maint G/E Equip	553.0000	14,540	0	(14,540)	(100.00%)			0
General Windfarm Maint	553.0001	33,472	151,427	117,954	352.39%	(81,869)		69,558
ADC Wind Turbine #1 Labor	553.0010	327	0	(327)	(100.00%)			0
ADC Wind Turbine #1 Material	553.0011	0	0	0	0.00%			0
ADC Wind Turbine #2 Labor	553.0020	61	0	(61)	(100.00%)			0
ADC Wind Turbine #2 Material	553.0021	0	0	0	0.00%			0
ADC Wind Turbine #3 Labor	553.0030	61	0	(61)	(100.00%)			0
ADC Wind Turbine #3 Material	553.0031	0	0	0	0.00%			0
WTG #4 Labor	553.0040	286	0	(286)	(100.00%)			0
WTG #4 Materials	553.0041	0	0	0	0.00%			0
WTG #5 Labor	553.0050	859	0	(859)	(100.00%)			0
WTG #5 Materials	553.0051	0	0	0	0.00%			0
Eccocycle Labor	553.0053	1,836	0	(1,836)	(100.00%)			0
WTG #6 Labor	553.0060	82	0	(82)	(100.00%)			0
WTG #6 Materials	553.0061	0	0	0	100.00%			0
WTG #7 Materials	553.0071	368	0	(368)	(100.00%)			0
WTG #7 Labor	553.0070	0	363	363	100.00%			363
WTG #8 Labor	553.0080	164	0	(164)	(100.00%)			0
WTG #8 Materials	553.0081	0	0	0	0.00%			0
WTG #9 Labor	553.0090	61	0	(61)	(100.00%)			0
WTG #9 Materials	553.0091	0	0	0	100.00%			0
Air Permit Cost	553.0100	0	4,205	4,205	0.00%			4,205
Lube Oil Prime Movers	553.0110	53,302	52,537	(765)	(1.43%)			52,537
Prime Mover - general plant material	553.0111	0	0	0	100.00%			0
Prime Mover - general plant	553.0112	130	0	(130)	0.00%			0
Power Plant Scada Maintenance	553.0113	17,095	17,914	819	4.79%			17,914
WTG #12- labor	553.0120	164	0	(164)	(100.00%)			0
WTG #12- material	553.0121	0	0	0	0.00%			0
Vesta # 13 Labor	553.0130	0	0	0	0.00%			0
Vesta #13 Material	553.0131	301	0	(301)	(100.00%)			0
WTG #14 Labor	553.0140	205	5,150	4,945	2416.74%			5,150
WTG # 14 Material	553.0141	0	0	0	100.00%			0
WTG #15 Labor	553.0150	205	0	(205)	(100.00%)			0
WTG #15 Material	553.0151	0	25	25	0.00%			25
WTG #16 Labor	553.0160	0	0	0	100.00%			0
WTG #16 Material	553.0161	0	0	0	100.00%			0
WTG # 17 Labor	553.0170	750	112	(639)	(85.11%)			112
WTG # 17 Material	553.0171	126	8	(118)	(93.67%)			8
WTG No. 18 Labor	553.0180	5,207	41,128	35,920	689.78%			41,128
WTG No. 18 Material	553.0181	14,973	8,005	(6,969)	(46.54%)			8,005
WTG No. 19 Labor	553.0190	3,710	34,315	30,605	824.97%			34,315
WTG No. 19 Material	553.0191	14,973	1,926	(13,047)	(87.14%)			1,926
WTG #10 Labor	553.0210	82	0	(82)	(100.00%)			0
WTG #10 Materials	553.0211	0	112	112	0.00%			112
WTG # 11 Labor	553.0212	61	0	(61)	(100.00%)			0
WTG # 11 Materials	553.0213	0	0	0	0.00%			0
Windsite Met Stations - Labor	553.0310	0	0	0	0.00%			0
Solar Installation Maintenance	553.0380	0	0	0	0.00%			0
Wales Wind Labor	553.0400	0	0	0	0.00%			0
Wales Wind Other	553.0410	0	0	0	0.00%			0

KOTZEBUE ELECTRIC ASSOCIATION

TREND ANALYSIS (By Account)

		2016	2020			
		Amended Expenses	Utility Filing	Variance		Staff Adjustments
				\$	%	Amended Expenses
Wales Wind Maint - Labor	553.0600	1,568	0	(1,568)	(100.00%)	0
Wales Wind Maint - Other	553.0610	3,221	0	(3,221)	(100.00%)	0
Maint/Repair Engine #7 Labor	553.0700	1,431	130,295	128,864	9006.90%	(130,295)
Maint Repairs Engine #7 Materials	553.0710	19,320	52,372	33,052	171.08%	52,372
Maint/Repair Engine #9 Labor	553.0900	0	0	0	0.00%	0
Maint Repairs Engine #9 Materials	553.0910	0	0	0	0.00%	0
Maint/Repair Engine #10 Labor	553.1000	13,069	7,905	(5,164)	(39.51%)	7,905
Maint Repairs Engine #10 Materials	553.1010	84,497	38,285	(46,211)	(54.69%)	38,285
Maint/Repair Engine #11 Labor	553.1100	0	0	0	0.00%	0
Maint Repairs Engine #11 Materials	553.1110	(2,250)	0	2,250	(100.00%)	0
Maint/Repair Engine #12 Labor	553.1200	0	0	0	0.00%	0
Maint Repairs Engine #12 Materials	553.1210	0	0	0	0.00%	0
Maint/Repair Engine #14 Labor	553.1400	5,100	7,566	2,466	48.36%	7,566
Maint Repairs Engine #14 Materials	553.1410	63,527	667	(62,860)	(98.95%)	667
Unit #15 EMD Expense Payroll	553.1500	4,135	25,960	21,825	527.76%	25,960
Unit #15 EMD Expense materials	553.1510	46,164	619	(45,545)	(98.66%)	619
Unit #16 EMD Expense	553.1600	8,094	14,923	6,829	84.37%	14,923
Unit #16 EMD Expense	553.1610	28,620	2,963	(25,658)	(89.65%)	2,963
Unit #17 CAT Expense Labor	553.1700	1,396	2,636	1,241	88.91%	2,636
Unit #17 CAT Expense Materials	553.1710	2,139	212	(1,927)	(90.09%)	212
Windfarm Lease Cost	553.9010	6,007	18,472	12,465	207.51%	18,472
AOC Wind Turbine #3 Labor	553.9030	0	0	0	0.00%	0
Maint Repairs Waste Ht Labor	554.0000	0	0	0	0.00%	0
Maint Repairs Waste Ht Materials	554.0100	0	0	0	0.00%	0
Maintenance Repair Waste Heat	554.2000	0	0	0	0.00%	0
Distribution Maintenance Supervision	590.0000	0	0	0	0.00%	0
Other		0	0	0	0.00%	0
Total Generation		1,394,123	1,774,189	380,066	27.26%	(212,164)
Distribution Expense						
Oper Supr/Engr Labor	580.0000	556	0	(556)	(100.00%)	0
Engineering	580.0200	34,526	18,509	(16,017)	(46.39%)	18,509
Installation of Transformers	583.1000	0	0	0	0.00%	0
Underground Line Expense	584.0000	50	0	(50)	(100.00%)	0
Str Light & Sig Syst	585.0000	0	0	0	0.00%	0
Meter Expense	586.0000	0	639	0	0.00%	639
Installation of Meters	586.1000	0	0	0	0.00%	0
Consumer Inst Exp	587.0000	7,604	191	(7,412)	(97.48%)	191
Misc Distribution Exp	588.0000	77,476	88,271	10,796	13.93%	88,271
Line tools & Exp Misc	588.0100	4,435	14,567	10,133	228.50%	14,567
AVEC Contract/Repair Dist	588.0200	590	680	89	15.10%	680
Distribution Maintenance	590.0000	0	0	0	0.00%	0
Mtc Overhead Lines	593.0000	87,677	98,205	10,529	12.01%	98,205
Maint of OH Line Materials	593.0100	46,045	17,559	(28,486)	(61.86%)	17,559
Apprentice Training Linemen	593.0300	0	22,745	22,745	100.00%	22,745
Safety Meeting Line Personnel	593.0500	272	13,052	12,779	4691.59%	13,052
Line Dist. Ex. Material	593.1000	0	7,592	0	0.00%	7,592
Mtc Underground Lines	594.0000	7,172	9,430	2,257	31.48%	9,430
Mtc Underground Lines Material	594.0100	35	431	395	1114.47%	431
Mtc Line Transfer Labor	595.0000	6,721	2,141	(4,581)	(68.15%)	2,141
Maint Transformers Mat	595.0100	108	0	(108)	(100.00%)	0
Mtc Str Light Labor	596.0000	15,273	11,091	(4,182)	(27.38%)	11,091
Mtc Str Light Material	596.0100	0	0	0	100.00%	0
Maint. Of Meters Labor	597.0000	11,733	20,502	8,769	74.74%	20,502
Maint. Of Meters Material	597.0100	0	0	0	0.00%	0
Total Distribution		300,273	325,604	25,331	8.44%	0

KOTZEBUE ELECTRIC ASSOCIATION

TREND ANALYSIS (By Account)

		2016	2020				Amended Expenses
		Amended Expenses	Utility Filing	Variance		Staff Adjustments	
				\$	%		
General and Administrative							
Meter Reading	902.0000	52,608	42,410	(10,198)	(19.39%)		42,410
Customer Rcd	903.0000	148,898	175,083	26,184	17.59%		175,083
Cash Over/Short	903.1000	1,655	(1,842)	(3,497)	(211.28%)		(1,842)
Patronage Capital Allocations	903.3000	0	0	0	0.00%		0
Uncollectible Accounts	904.0000	0	0	0	0.00%		0
Customer Assistance Expense	908.0000	2,225	5,733	3,508	157.66%		5,733
Inf & Inst Adv Expense	909.0000	15,747	15,572	(175)	(1.11%)		15,572
Admin & General Salaries	920.0000	520,232	541,772	21,540	4.14%		541,772
Normalized pay for Salaried Employ	920.0010	0	13,110	0	0.00%		13,110
Board Meeting/Reports Mgr	920.0100	16,432	0	(16,432)	(100.00%)		0
B/M Reports Other Staff	920.0200	3,210	5,531	2,322	72.34%		5,531
Fuel Procurement	920.0500	0	0	0	0.00%		0
Wind Proj-Admin	920.0600	0	0	0	0.00%		0
Office Supplies	921.0000	43,988	63,666	19,678	44.73%		63,666
Misc. Outside Services	923.0000	471	0	0	0.00%		0
Outside Services - Attorney	923.1000	22,520	20,218	(2,302)	(10.22%)		20,218
Auditor Consulting Expense	923.2000	4,563	0	(4,563)	(100.00%)		0
Audit Expense	923.2010	42,073	47,518	5,445	12.94%		47,518
Accounting Consulting - Lawrence/Hubbard	923.2100	1,620	0	(1,620)	(100.00%)		0
Grant Consultant	923.2200	0	0	0	0.00%		0
Accounting Consultant	923.2300	19,936	8,504	(11,432)	(57.34%)		8,504
Outside Services - Computer	923.3000	39,740	12,416	(27,324)	(68.76%)		12,416
Outside Services - Engineer	923.4000	21,759	0	(21,759)	(100.00%)		0
Outside Services - Misc	923.5000	0	0	0	0.00%		0
Outside Services - Safety	923.7000	0	0	0	0.00%		0
Property Insurance	924.0000	0	0	0	0.00%		0
Insurance Excess Liability	924.0100	9,989	27,881	17,892	179.11%		27,881
Insurance Commercial Property	924.0200	116,822	163,970	47,148	40.36%		163,970
Insurance Boiler & Machinery	924.0300	34,716	0	(34,716)	(100.00%)		0
Insurance Commercial Vehi	924.0400	9,124	6,452	(2,672)	(29.29%)		6,452
Insurance Dir/Off Liabili	924.0500	3,306	2,433	(873)	(26.41%)		2,433
Insurance Employee Bonding	924.0600	321	0	(321)	(100.00%)		0
Insurance Liability Policy Pol	924.0700	0	333	333	0.00%		333
Injuries & Damages	925.0000	0	0	0	0.00%		0
Employee Pension & Bene	926.0000	5,309	8,201	2,892	54.48%		8,201
Employer Cost Office Pen	926.0100	8,846	0	(8,846)	(100.00%)		0
Employer Cost-Union Pen	926.0200	(1,536)	0	1,536	(100.00%)		0
Employer Cost-Med/Life/Di	926.0300	(888)	0	888	(100.00%)		0
Employer Cost 401K Union	926.0400	(1,083)	324	1,407	(129.92%)		324
Employer Cost Union Misc	926.0500	0	0	0	0.00%		0
Corona Virus	926.1000	0	2,534	2,534	0.00%	(2,534)	0
Regulatory Commission Expense	928.0000	1,212	0	(1,212)	(100.00%)		0
Misc General Expense	930.0000	31,899	30,457	(1,442)	(4.52%)		30,457
Board Expense	930.0100	93,779	100,759	6,980	7.44%		100,759
Annual Meeting Expense	930.0200	21,470	7,311	(14,160)	(65.95%)		7,311
Office Staff Training	930.0300	13,062	6,095	(6,967)	(53.34%)		6,095
Staff Travel Expense	930.0400	34,133	6,408	(27,725)	(81.23%)		6,408
Employee Recognition	930.0050	0	0	0	100.00%		0
Advertising-Corp Annl Rep etc.	930.2000	0	0	0	100.00%		0
Employer Cost - union	926.0500	0	0	0	100.00%		0
Dues ARECA	930.0510	10,714	6,865	(3,849)	(35.93%)		6,865
Dues NRECA	930.0520	0	0	0	0.00%		0
Dues CFC	930.0540	0	0	0	0.00%		0
Dues UWIG	930.0540	0	0	0	0.00%		0
Dues Touchstone Energy	930.0550	0	0	0	0.00%		0
General Advertising Expenses	930.1000	5,031	6,770	1,739	34.57%		6,770
Advertising - Corp. Annual Report	930.2000	0	0	0	0.00%		0
Total General and Admin.		1,353,904	1,326,483	(27,421)	(2.03%)	(2,534)	1,323,949

KOTZEBUE ELECTRIC ASSOCIATION

TREND ANALYSIS (By Account)

		2016	2020				Amended Expenses
		Amended Expenses	Utility Filing	Variance		Staff Adjustments	
				\$	%		
DEPRECIATION							
Deprec Exp - Prod Plant	403.4000	483,763	461,555	(22,208)	(4.59%)		461,555
Deprec Exp - Wind Gen	403.5000	4,003	4,003	0	0.00%		4,003
Deprec Exp - Wind Wales	403.5100	38,783	62,802	24,019	61.93%		62,802
Deprec Exp - Wind Kotz	403.5200	34,334	34,728	394	1.15%		34,728
Deprec Exp - Wind Unclassified	403.5300	44,015	172,232	128,217	291.30%		172,232
Deprec Exp - A	403.5400	106,847	0	(106,847)	(100.00%)		0
Deprec Exp - Dist Plant	403.6000	134,290	134,290				134,290
Deprec Exp - Structures	403.7100	56,991	54,674	(2,317)	(4.07%)		54,674
Deprec Exp - Office Furniture	403.7200	8,866	2,149	(6,717)	(75.76%)		2,149
Deprec Exp - Com Equip	403.7210	12,905	0	(12,905)	(100.00%)		0
Deprec Exp - Trans Equip	403.7300	0	0	0	0.00%		0
Deprec Exp - Power Op Equip	403.7400	776	776	0	0.01%		776
Deprec Exp - Comm Equip	403.7500	3,944	3,161	(783)	(19.85%)		3,161
Deprec Exp - Stores Equip	403.7700	0	0	0	0.00%		0
Deprec Exp - Tools Shop Garage	403.7800	8,585	3,518	(5,067)	(59.02%)		3,518
Deprec Exp - Lab Equip	403.7900	2,694	0	(2,694)	(100.00%)		0
Deprec Exp - Misc. Gen Plant	403.7910	6,722	4,028	(2,694)	(40.08%)		4,028
Deprec Exp - Solar Ma	552.0011	0	0	0	0.00%		0
Deprec Exp WTG No. 18 Labor	553.0180	0	0	0	0.00%		0
Deprec Exp WTG No 18 Material	553.0181	0	0	0	0.00%		0
Deprec Exp WTG No. 19 Labor	553.0190	0	0	0	0.00%		0
Deprec Exp WTG No 19 Materials	553.0191	0	0	0	0.00%		0
Deprec Exp Until #16 EMD Expense	553.1600	0	0	0	0.00%		0
Unit #16 EMD Expense	553.1610	0	0	0	0.00%		0
Amortization adjustment			0			42,940	42,940
Total Depreciation		947,519	937,917	(9,603)	(1.01%)	42,940	980,856
INTEREST							
Int REA Constr Loan	427.1000	163,091	143,139	(19,952)	(12.23%)		143,139
Interest LTD- NRUCFC	427.1100	80,570	112,895	32,325	40.12%		112,895
Interest LTD- NRUCFC	427.1200	0	0	0	0.00%		0
LTD Interest on NCRED	427.1400	134,655	61,006	(73,649)	(54.69%)		61,006
Contra LTD Interest	427.1410	(86,308)	(79,066)	7,242	(8.39%)		(79,066)
Other Interest Expense	431.0000	40	0	(40)	(100.00%)		0
Contra Interest Buckland Shares	431.1000	(2,833)	0	2,833	(100.00%)		0
CoBank Short Term Interest	431.2000	359	0	(359)	(100.00%)		0
Cost of Goods Sold Expense	456.4000	2,080	0	(2,080)	(100.00%)		0
Total Interest		291,655	237,974	(53,680)	(18.41%)	0	237,974
Other Expense							
Taxes Other	408.6000	50	0	(50)	(100.00%)		0
Tax Expense Other	408.7000	9,616	9,297	(319)	(3.31%)		9,297
FUTA	408.7200	0	0	0	(100.00%)		0
Total Other		9,666	9,297	(369)	(3.81%)	0	9,297
Other Revenue							
Other Revenue		(102,135)	(107,230)	(5,095)	(100.00%)	(3,600)	(110,830)
Total Other Revenue		(102,135)	(107,230)	(5,095)	(100.00%)	(3,600)	(110,830)
TOTAL NON-FUEL COST		4,195,005	4,504,235	309,231	7.37%	(175,359)	4,328,876
Total kWh Generated		21,105,424	21,232,490	127,066	0.60%		21,232,490
kWh Wind Generated		4,032,546	3,754,396	(278,150)	(6.90%)		3,754,396
kWh Diesel Generated		17,072,878	17,478,094	405,216	2.37%		17,478,094
kWh Sold		19,231,652	18,915,403	(316,249)	(1.64%)	809,500	19,724,903
Gallons Consumed		1,164,614	1,229,776	65,162	5.60%		1,229,776
Station Service		664,219	521,214	(143,005)	(21.53%)		521,214
Efficiency		14.66	14.21	(0.45)	(3.05%)		14.21
Line Loss		5.73%	8.46%	0.0273	47.59%	-3.81%	4.65%

Kotzebue Electric Assn., Inc.

Schedule of Depreciation and Amortization

For Test Year Ending: 12/31/2020

Asset	In Service	Cost	Life	Accum. Depr. 12/31/2019	Book Value 12/31/2019	2020 Depreciation Amortization	Accum. Depr. 12/31/2020	Book Value 12/31/2020
Corona Virus costs	2020	\$ 2,534	5	0	0	\$ 507	\$ 507	\$ 2,027
Overhaul Engine #7	2020	\$ 130,295	5	0	0	\$ 26,059	\$ 26,059	\$ 104,236
Amortization of Windfarm Maint.	2020	\$ 81,869	5	0	0	\$ 16,374	\$ 16,374	\$ 65,495
Total		\$ 214,698		0	0	\$ 42,940	\$ 42,940	\$ 171,758

Staff Recommended Adjustment \$ 42,940
 Utility Reported Depreciation Expense \$ 937,917
 Total Depreciation and Amortization Expense \$ 980,857

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Signature: Janis W. Wilson Janis W. Wilson
Janis W. Wilson (Aug 10, 2021 22:29 AKDT) Janis W. Wilson (Aug 11, 2021 14:28 AKDT)

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Schedule BKC-2